In The Matter Of:

In re: AMERICAN INTERNATIONAL GROUP, INC., SECURITIES LITIGATION

ALAN J. DAVIDSON
April 14, 2008

MERRILL LEGAL SOLUTIONS
25 West 45th Street - Suite 900
New York, NY 10036
PH: 212-557-7400 / FAX: 212-692-9171

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK
MASTER FILE NO. 04 Civ. 8141 (JES) (AJP)

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In re: AMERICAN INTERNATIONAL GROUP,
INC., SECURITIES LITIGATION
This Document Relates to:
All Actions

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Videotaped and Telephonic Deposition of

Ohio Public Employees Retirement System
by and through
ALAN J. DAVIDSON, 30(b)(6) Designee.
Held on: Monday, April 14, 2008, 9:08 a.m.
Held at: Hahn, Loeser & Parks
65 East State Street, 14th Floor,
Columbus, Ohio 43215

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before Kathryn E. Cathell, RPR,
Notary Public in and for the State of Ohio

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APPEARANCES:

LABATON SUCHAROW
Attorneys for Plaintiff Ohio Police & Fire
Pension Fund
140 Broadway
New York, New York 10005
Email: lgottlieb@labaton.com
Email: zratzman@labaton.com
212.907.0700
BY: LOUIS GOTTLIEB, Esquire
ZACHARY RATZMAN, Esquire

HAHN, LOESER & PARKS
Attorneys for Plaintiffs
3300 BP Tower
Cleveland, Ohio 44114-2301
Email: akopit@hahnlaw.com
216.241.2824
BY: ALAN S. KOPIT, Esquire

ARNOLD & PORTER LLP
Attorneys for General Reinsurance Corporation
399 Park Avenue
New York, New York 10022-4690
Email: monique.gaylor@aporter.com
212.715.1147
BY: MONIQUE ANNE GAYLOR, Esquire

WINSTON & STRAWN LLP
Attorneys for Howard I. Smith
200 Park Avenue
New York, New York 10166-4193
Email: syakaboski@winston.com
212.294.4700
BY: STACY A. YAKABOSKI, Esquire

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deposition that you gave in the Marsh-Mac suit?

A. The deposition involved custody and production of records and also a discussion -- an investigation into the general manner in which OPERS managed its assets during that period of time.

Q. Apart from the individual portfolio managers, would you say that you are the person at OPERS presently most knowledgeable about the guidelines that OPERS employed during the class period in respect of its investments?

MR. GOTTLIEB: Objection to the form of the question.

You can answer.

A. During the -- the period of this class, OPERS' investment management practices could be divided into three time periods.

Because of the nature of my job with OPERS, I believe I am probably the most knowledgeable person as to those three separate periods simply because I've spent more time in the past year or so reviewing documentation about them.

Q. Okay. What were those three time

periods?

A. The first period would be prior to 1999 and continuing through roughly 2000.

The second period would be starting in 2001 and going to roughly midyear 2002.

And the third period would be from roughly midyear 2002 to the current time; or as relevant here, through October of 2005.

Q. Okay. Can we just break those down a little bit so maybe you could help me understand the -- the differences through those -- in those three periods of time?

So focusing on the first one, prior to 1999 and continuing roughly through 2000, let's look at that one first, if we can.

And what -- how would you describe or summarize the OPERS' investment guidelines during that period of time?

A. In responding to your question, I'm going to be responding with respect to the United States equity portfolio.

Q. Fair enough.

A. We have previously talked about the fixed income portfolio. The guidelines and

management of it remained essentially unchanged during the period.

So looking at the United --

Q. May I just --

I don't mean to interrupt and I shouldn't have done that.

Go ahead. I apologize.

MR. GOTTLIEB: Do you want the question read back or can you go ahead?

A. I was -- was going to respond with respect to the United States equity portfolio.

During that -- the early part of this period, the United States equity portfolio was entirely managed by OPERS' internal staff. Roughly 70 percent of it was actively managed. That is, portfolio managers made decisions to buy or sell stocks in a very active fashion. Thirty percent of the portfolio was passively managed.

I realize that sounds like an oxymoron.

What I mean by that was it was an index fund that was indexed to the Standard & Poor's 1500 stock index.

Your question I think went to the

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Q. I see.

So is it fair to say, then, that some people recall a change having been made toward the end of calendar 2000 and others recall the change having been implemented at the start of calendar 2001?

A. Yes.

Q. And are there any documents at OPERS that one could review that would clarify that question?

A. Not that I found.

Q. Do I understand, though, from your answer that you've tried?

A. I have.

Q. And is it fair to also say that you've tried to clarify the question through conversation with people at OPERS?

A. Yes.

MR. GOTTLIEB: Objection. Asked and answered.

A. Yes, I have.

Q. Okay. I believe the second period of time that you identified, you -- you spoke of as approximately 2001. And here we'll just use

January of 2001, recognizing your prior answer, through, you said mid-2002.

A. That's correct.

Q. Okay. Can you tell me how you would describe that period of time in respect of the domestic equities portfolio?

A. In respect of the domestic equities portfolio, the board of trustees directed that they be entirely indexed and that a comprehensive study of OPERS investment practices be initiated.

Q. Actually, can we just return for a minute to the period of time prior to 1999, continuing roughly through 2000, so the first period of time.

In respect of the actively managed portfolio, I believe you said that the three funds were benchmarked to a relevant index.

Do I understand that correctly?

A. Yes.

Q. And in respect of benchmarking, as I understand it, you said that the results would be compared to the returns on the -- on the index to which the fund was benchmarked. Is that right?

A. Yes.

Q. And for the period of time in this first period, so prior to 1999 through 2000, let's focus on 1999 through the end of 2000, how did those funds compare to the index to which they were benchmarked?

How did the returns on those funds compare to the index to which they were benchmarked?

MR. GOTTLIEB: Objection to the form of the question.

A. I don't know.

Q. Do you know whether the funds met the performance of the index?

MR. GOTTLIEB: Objection to the form of the question.

A. I don't of personal knowledge know that.

Q. Do you know who would know?

A. I'm sure that Bob -- Rob Ball would because he was there at the time.

Q. Now, you said that --

So focusing now on the second period of time, which we're going to call the beginning of 2001 through the middle of 2002, do I

understand you correctly to say that during this period of time, all of the internally managed funds were indexed?

A. All of the internally managed U.S. equity assets were.

Q. Yes. Yes. I'm sorry. All of the internally managed U.S. equity funds.

A. Were -- were transitioned to an index form of --

Q. Okay. And I believe you said --

MR. GOTTLIEB: You have to speak up. Sometimes your voice really sinks towards the end of your answer.

Q. In respect of the domestic equities portfolio, how much, approximately, of the -- of the assets were managed internally during this period of time, beginning of 2001 through the middle of 2002?

A. Well, at the start of 2001, they were all managed internally, moving toward an index form of management.

Starting in November of 2001 and continuing through February of 2002, OPERS retained six external U.S. equity managers.

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Q. Can you tell me the names of the six external U.S. equity managers that were retained?

A. Yes.

Q. What were they?

You've -- you've got it -- got the whole thing down, but it takes so much longer this way.

A. One manage- -- one manager -- I use the term in quotes, if I might -- was Barclays Global Investors, which was hired to run an index fund.

The five active managers were AllianceBernstein and Wellington, which were benchmarked to the S&P 500.

The other three managers were Capital Guardian Trust Company, Fidelity, and INVESCO, which were benchmarked to the Russell 2000.

Q. I'm sorry. Capital Guardian Trust Company, Fidelity, and what was the third one, sir?

A. INVESCO, I-N-V-E-S-C-O, all caps.

Q. And those were all benchmarked to the Russell 2000?

MR. GOTTLIEB: Objection to the form of the question.

A. I would -- would be speculating if I answered it.

Q. Okay. Do you know who would know?

A. Ennis Knupp I'm sure.

Q. Now, during this period of time, so 2001 through the middle of 2002, what was the general breakdown between the internally managed funds and the externally managed funds percentagewise within the domestic equity portfolio?

A. Well, at the end of 2000, it was 100 percent internally managed and roughly 70 percent actively managed, 30 percent passively managed.

The portfolio then went to 100 percent internally passive management.

And at the -- by the end of 2002 -- by midyear -- say late 2002, the portfolio was 70 percent passively managed, 30 percent actively managed. And of the 70 percent that was passively managed, 65 percent was re- -- the responsible of OPERS -- the responsibility of

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OPERS staff, 5 percent was the responsibility of Barclays Global Investors.

The 30 percent that was actively managed was 20 percent managed internally and 10 percent managed externally by the five active managers who I had mentioned earlier.

Between those dates, there were transitions being made, but there the benchmark -- or the milestone dates, let's say.

Q. Okay. Do you know for the Barclays Global fund -- Excuse me.

The assets that were managed by Barclays Global, that, as I understand it, was an index fund.

A. Yes. That's correct.

Q. And do you know what the relevant index was for the Barclays Global?

A. It was the same as OPERS' internally managed index fund, which I assume was the Russell 3000.

MR. GOTTLIEB: Please don't testify regarding assumptions. Testify regarding what you know.

Q. Okay. Do you have any understanding

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investments made by the outside managers were in compliance with the governing investment guidelines?

MR. GOTTLIEB: Objection to the form, and asked and answered.

A. Yes.

Q. And who was that during this period of time that we're focused on now?

A. During that period of time, external managers were overseen by managers within each asset class.

So for example, we talked earlier of external bond managers. Their performance would have been overseen by the internal bond -- bond staff.

Same way, U.S. equity managers would have been overseen by the U.S. equities team.

Q. Okay. Now, I think you then had a third period of time, which was the middle of 2002 through the current time; but for our purposes, let's just call it the end of 2005.

A. Uh-huh.

Q. Can you describe to me the investment circumstance in the -- again, the

domestic equities portfolio during that period of time?

MR. GOTTLIEB: Objection to the form of the question.

A. Beginning roughly in the second or third quarter of 2002, internal staff and Ennis Knupp made -- made a recommendation to the investment committee that a portion of the internally -- the internal index fund be actively managed as an enhanced index fund. That was formally approved by the board -- by the investment committee at its September 2002 meeting. I believe there may have been some transactions before that in anticipation of that approval.

So again, just to recap, after the investment committee approved that, the portfolio would have been 70 percent devoted to indexed funds, 30 percent devoted to active management. Of that 30 percent, 10 percent was managed externally in an active manner and 20 percent was managed -- was managed internally as an enhanced index fund.

That allocation continued through